



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-07	BOARD MEETING: December 10, 2012	PROJECT NO: 12-080	PROJECT COST: Original: \$122,357,501
FACILITY NAME: Memorial Health System		CITY: Springfield	
TYPE OF PROJECT: Non-Substantive			HSA: III

PROJECT DESCRIPTION: The applicant (Memorial Health System), proposes to modernize and expand services at its existing acute care hospital. The cost of the project is \$122,357,501.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicant (Memorial Health System) proposes to modernize and expand its Medical Surgical (Med/Surg), and Surgery Categories of Service. The cost of the project is \$122,357,501.
- **The anticipated project completion date is December 31, 2016.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- The project is before the State Board because the cost of the project exceeds the capital expenditure minimum of \$12,182,576.

PURPOSE OF THE PROJECT:

- The purpose of the project is to improve the health care and well being of the market area by replacing medical/surgical beds in outdated buildings, with modern, appropriately sized, private occupancy rooms. The applicant also proposes to expand its 20-year-old Main Surgery Department with new, appropriately sized operating rooms, recovery areas, Post Anesthesia Recovery Areas (PACU), and Surgical Prep/Pre-Surgery testing.

BACKGROUND:

- The buildings that currently house the applicants Medical/Surgical bed complement are 69, 54, 49, and 21 years old.
- The Main Surgery Suite is 20 years old, and is in need of expansion to accommodate current and projected service demand.
- The proposed project will result in Memorial Medical center having an all-private medical/surgical bed complement.
- No additional beds will be added to the inventory, and no new categories of services will be introduced.

COMPLIANCE:

- The hospital is currently in compliance with the CMS conditions of participation as required.

MODERNIZATION OF CATEGORY OF SERVICE:

- The applicants are required to provide documentation that the modernization is being undertaken:
 - To address old and deteriorated facilities;
 - To address high maintenance costs;
 - To address licensure and life safety code issues; or
 - To address changes in the standard of care.
- The applicants must also document that in order to modernize the medical surgical category of service is operating at the target occupancy of 85%.

PUBLIC COMMENT

- A public hearing was offered on this project; however, no hearing was requested. The State Board Staff has received no letters of support or opposition regarding this project.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The applicant is funding the project with cash and securities and bond issuances. The applicants attest that sufficient financial resources exist to fund the project. The applicant supplied proof of an A+/Stable Bond Rating from Standard & Poor's (application, p. 141).
- The applicants supplied consolidated financial statements for years 2009, 2010, and 2011. The reports were compiled by Ernst & Young, LLP.

CONCLUSION:

- The applicant is proposing this project to meet current standards of care in the industry and excess utilization and substandard spatial configurations in its Surgery/Recovery/PACU areas.
- The proposed project will result in an all-private room medical/surgical bed complement.
- The applicants addressed a total of 11 State Board's criteria and failed to meet the following:

State Board Standards Not Met	
Criteria	Reasons for Non-Compliance
1120.140 (c) - Reasonableness of Project Costs	The applicants report costs in excess of the State Board Standard for New Construction/Proportionate Contingencies.



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STATE BOARD STAFF REPORT
Memorial Medical Center-Springfield
PROJECT #12-080

Applicants	Memorial Health System
Facility Name	Memorial Medical Center
Location	Springfield
Application Received	September 17, 2012
Application Deemed Complete	September 20, 2012
Can Applicants Request Another Deferral?	Yes

I. The Proposed Project

The applicant (Memorial Health System) proposes to modernize and expand its Surgery/Recovery/PACU service, and modernize its Medical/Surgical service by converting to all private rooms. The cost of the project is \$122,357,501.

II. Summary of Findings

- A. **The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1110.**
- B. **The State Agency finds the proposed project does not appear to be in conformance with the provisions of Part 1120.**

III. General Information

The applicant is Memorial Health System. The applicant proposes to expand its Medical/Surgical unit to accommodate the conversion to an all-private bed complement. The applicant also proposes to expand and modernize its Main Surgery/Recovery/PACU departments. The project is a non-substantive project and subject to Part 1110 and Part 1120 review. Project obligation will occur after permit approval. **The anticipated project completion date is December 31, 2016.**

CY 2011 Hospital Profile information is included at the end of this report for utilization and financial data for Memorial Medical Center-Springfield.

Support and Opposition Comments

A public hearing was offered on this project; however, no hearing was requested. The

State Board Staff has received no letters of support or opposition regarding this project.

IV. The Proposed Project – Details

The applicant proposes to expand its Medical/Surgical unit by vertically building upon an existing building on campus. No additional beds will be established, and the expansion will accommodate the conversion to an all-private bed complement. The modernization/expansion of its Main Surgery department will include the construction of a new Post-Anesthesia Recovery Unit (PACU), Stage II Recovery, and Prep/Pre-Surgery Testing area. The Main Surgery department will horizontally expand, and the Stage II Recovery and Prep/Pre-Surgery Testing areas will be consolidated and relocated in close proximity to the expanded Surgery area. The newly-constructed Main PACU area will also be located in close proximity to the Main Surgery area. The proposed project will also include expansion/modernization of the following non-clinical areas: Main Entrance/Lobby/Public spaces, Mechanical Penthouses, Utility Closets/Mechanical/Data Shafts, Family Support/Waiting Areas, Medical/Nursing/Professional Education Support Space, and Elevators/Lobbies/Stairwells.

V. Project Costs and Sources of Funds

The applicants identified costs associated with the proposed project and State Board staff compiled these data in Table One. The applicants are funding this project with a combination of cash and securities and bond issuances.

TABLE ONE Project Costs and Source of Funds Project 12-080 Memorial Medical Center-Springfield			
Use of Funds	Clinical	Non-Clinical	Total
Preplanning Costs	\$780,936	\$402,300	\$1,183,236
Site Preparation	\$389,093	\$200,442	\$589,534
New Construction Contracts	\$39,834,526	\$22,847,655	\$62,682,180
Modernization Contracts	\$3,916,452	\$2,049,886	\$5,966,339
Contingencies	\$4,375,098	\$2,489,754	\$6,864,852
Architectural & Engineering Fees	\$3,113,761	\$1,604,059	\$4,717,820
Consulting & Other Fees	\$1,800,247	\$732,400	\$2,532,648
Moveable & Other Equipment	\$13,152,765	\$15,079,032	\$28,231,796
Bond Issuance Expense	\$3,172,000	\$0	\$3,172,000
Net Interest Expense During Construction	\$2,828,000	\$0	\$2,828,000

TABLE ONE Project Costs and Source of Funds Project 12-080 Memorial Medical Center-Springfield			
Other Costs to be Capitalized	\$369,600	\$3,219,497	\$3,589,097
Totals	\$73,732,477	\$48,625,024	\$122,357,501
Source of Funds			
Cash & Securities	\$10,000,000	\$2,357,501	\$12,357,501
Bond Issues	\$63,732,477	\$46,267,523	\$110,000,000
Total	\$73,732,477	\$48,625,024	\$122,357,501

Safety Net Impact Statement/Charity Care

Charity Care Information was provided by the applicants on page 154 of the application. The State Board Staff notes a safety net statement is not required to be submitted for non-substantive projects.

TABLE ONE Charity Care/Medicaid Memorial Medical Center - Springfield			
Charity (# of Patients)	FY 2009	FY 2010	FY 2011
Inpatient	938	941	1,350
Outpatient	5,712	5,699	9,964
Total	6,650	6,640	11,314
Charity (Cost in Dollars)			
Inpatient	\$10,613,409	\$10,167,048	\$8,938,390
Outpatient	\$4,611,835	\$6,302,571	\$6,679,696
Total	\$15,225,244	\$16,469,619	\$15,618,086
Medicaid (# of Patients)	FY 2009	FY 2010	FY 2011
Inpatient	2,790	2,929	2,887
Outpatient	60,225	64,952	65,373
Total	63,015	67,881	68,260
Medicaid (Revenue)			
Inpatient	\$25,259,954	\$24,473,284	\$28,182,099
Outpatient	6,517,460	\$7,842,716	\$6,243,761
Total	\$31,777,414	\$32,316,000	\$34,425,860

VI. Cost Space Requirements

The applicants are proposing to expand/modernize its Med/Surg department,

expand/modernize its Main Surgery, and modernize its PACU, Stage II recovery and Surgery Prep/Testing area. In addition, various non-clinical/support areas will be modernized. The cost space requirements are illustrated in Table Three.

TABLE THREE Cost Space Requirements							
Clinical							
Department	Cost	Existing GSF	Proposed	New Construction	Modernization	As Is	Vacated
Med/Surg	\$44,976,811	103,894	171,587	74,164	0	97,424	6,470
Main Surgery	\$19,170,444	26,864	54,964	11,750	16,350	26,864	0
PACU	\$3,686,624	4,201	4,125	4,125	0	0	4,201
Stage II Recovery	\$5,898,598	0	11,989	11,989	0	0	1,068
Total Clinical	\$73,732,477	134,959	242,665	102,027	16,350	124,288	11,739
Non-Clinical							
Family Support/Waiting Areas	\$7,813,949	14,717	27,605	12,898	0	14,717	0
Medical Education /Resident Sleeping	\$2,563,209	4,828	9,055	4,228	0	4,828	0
Elevators/Shafts/ Lobbies/Stairwell	\$7,212,199	13,584	25,479	11,896	0	13,584	0
Building Connections	\$5,554,733	0	9,145	5,145	4,000	0	0
Utility /Mechanical/Data	\$798,037	1,503	2,819	1,316	0	1,503	0
Mechanical/ Electrical Penthouses	\$4,160,520	0	21,000	21,000	0	0	0
Central Power Plant	\$15,219,182	0	4,500	4,500	0	0	0
1 st Flr E Building Space	\$1,847,314	2,300	9,800	0	9,800	0	0
E-Front Entrance/ Circle Drive	\$3,465,881	0	0	0	0	0	0
Total Non- Clinical	\$48,625,024	36,931	109,404	60,973	13,800	34,631	0
Total	\$122,357,501	171,890	352,069	163,000	30,150	158,919	11,739

VII. Section 1110.230 - Project Purpose, Background and Alternatives

A) Criterion 1110.230(a) - Background of Applicant

- 1) An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of

the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").

The applicants have provided the necessary documentation as required by the State Board rules, to include a listing of facilities owned/operated by the applicants. The applicant supplied licenses and JCAO accreditation documents and signed authorization permitting the Board to access to licensing/certification documents and records. It appears the applicants are fit, willing and able and have the qualifications, background and character to provide the proper standard of care to the community.

B) Criterion 1110.230 (b) - Purpose of the Project

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

- 1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project**

The purpose of the project is to improve the health care and well being of the market area population by replacing med/surg beds located in outdated buildings, with new appropriately sized units, configured in all-private rooms. The proposed expansion/modernization of the surgery department will modernize the existing surgical rooms located in the Main Surgery Suite, and increase the number of surgery rooms by 5. Surgical support areas (PACU, Surgical Prep/Pre-Surgery Testing, and Stage II Recovery) will also be modernized/expanded to meet modern health care standards and address increased utilization.

C) Criterion 1110.230 (c) - Alternatives to the Proposed Project

The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

- 1) Alternative options shall be addressed. Examples of alternative options include:
 - A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Other considerations.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.
- 3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available.

The applicant considered four alternatives:

1. **Do Nothing**

The applicant rejected this option because it would not allow the offering of all private rooms, which is becoming a standard in the health care industry. The applicant notes private rooms are instrumental in infection control and patient privacy, which are key factors in the provision of modern health care. The applicant also notes the act of doing nothing would not alleviate the current demand for operating room time or patient volume in its current Surgery department. **The applicants identified no costs with this alternative.**
2. **Modernize Existing Patient Units and Surgery Suites**

The applicant rejected this alternative, citing undersized patient rooms, and the need to maintain the existing bed count to meet patient demand. The applicants propose to remove one bed from its existing semi-private rooms, and need to construct additional rooms to accommodate the relocated beds. The applicant also notes the high surgical volume, and undersized surgical facilities that lack sufficient storage/support space needed in modern surgical units. The applicants feel this alternative would be time consuming, and cost more than the proposed project. **Estimated cost of this alternative: \$159,070,000.**

3. Construct a Replacement Hospital and Replace All Med/Surg Beds and Surgical Facilities

The applicant considered the alternative of building a replacement hospital on the city's rapidly-growing west side. However, this alternative was rejected, because it would remove the hospital from the centrally located Mid-Illinois Medical District, which contains the largest concentration of medical offices and the Southern Illinois University School of Medicine. This alternative would also require the duplication of the entire hospital infrastructure, resulting in additional costs. The applicant also notes the relocation of its hospital would not improve access for Springfield's low-income population, and be the cost significantly higher than the option proposed. **The applicants identified a projected cost of \$600,000,000 with this alternative.**

4. Construct a New Bed Tower and Surgery Suite

The applicant considered the construction of a new bed tower and surgical suite on the north end of the hospital campus. This option would require the replacement of the medical laboratory, and central utility plant, and the establishment of corridors connecting to the main hospital. The applicant rejected this alternative, citing the physical distance between the main hospital and the new tower, and the challenges this distance would create for necessary patient services. The applicants also cited challenges with patient/visitor wayfinding, divided surgical services, and differences with floor/ceiling heights, making the linking of buildings cumbersome. **The applicants identified a project cost of \$201,000,000 with this alternative.**

5. Project as Proposed

The applicant views this option as most feasible, because it met the most needs and objectives at the lowest cost. This option allows the

applicant to effectively use the existing entrance/elevator systems, as well as support systems located in the existing hospital. The option as proposed will allow the applicant to maintain its existing med/surg bed complement, and provide modern, appropriately sized accommodations in all private rooms. This option will also allow for the expansion of the exiting surgical suites, as opposed to total replacement, which is more costly, and best enhance the overall patient experience. **Cost of this alternative: \$122,357,501.**

VIII. 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234(a) - Size of Project

- 1) The applicant shall document that the physical space proposed for the project is necessary and appropriate. The proposed square footage (SF) cannot deviate from the SF range indicated in Appendix B, or exceed the SF standard in Appendix B if the standard is a single number, unless SF can be justified by documenting, as described in subsection (a)(2).**

The applicant notes the proposed project includes the expansion/establishment of both clinical and non-clinical areas. Table Four outlines the spatial configurations of each component of the proposed project in its entirety, and shows that at the conclusion of the proposed project, each is compliant with the applicable State Standard.

TABLE FOUR Size of Project 12-080 Memorial Medical Center-Springfield				
Department/Service	Proposed DGSF	State Standard	Difference	Met Standard?
Medical/Surgical (349 Beds)	171,587 DGSF (492 DGSF/Bed)	500-660 DGSF/Bed	168 DGSF Under	Yes
Surgery (33 ORs)	75,309 DGSF (2,282 GSF/Rm)	2,750 DGSF/Unit	468 DGSF Under	Yes
PACU/Stage I (37 Units)	6,407 DGSF (173 GSF/Unit)	180 DGSF/Unit	7 DGSF Under	Yes
PACU Stage II (63 Units)	23,711 DGSF (376 GSF/Unit)	400 DGSF/Unit	24 DGSF Under	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE CRITERION (77 IAC 1110.234(a)).

B) Project Services Utilization – Review Criterion

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

The applicants have documented by 2018, the second year after project completion that the entirety of Medical/Surgical Beds, Surgical Suites, and Stage I/II Recovery stations will be needed to maintain optimum operational standards. Table Five contains the State utilization standards for the four clinical components of the project, and the proposed utilization for CY 2018, the second year after project completion. The applicant has factored in an 8.86% growth factor, based on historical utilization data. (application, p. 98). Based on these projected data, a positive finding has been made for this criterion.

TABLE FIVE Utilization of Clinical Services 12-080 Memorial Medical Center-Springfield				
Department/Service	Projected Bed/Unit Need CY 2018*	Proposed Number of Beds/Units	Difference	Utilization Standard Met?
Medical/Surgical	363	349	14 Beds under	Yes
Surgery	49,991 hrs/1,500 =34 ORs	33 rooms	1 Room Under	Yes
PACU/Stage I	6,407 DGSF (173 GSF/Unit)	37 Units	N/A	N/A
PACU Stage II	23,711 DGSF (376 GSF/Unit)	63 Units	N/A	N/A
*Based on realized utilization growth of 8.86% annually beginning in CY 2011. The proposed number of units comprise the total number of rooms/units on the MMC campus				

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED UTILIZATION CRITERION (77 IAC 1110.234(b)).

IX. 1110.530- Medical/Surgical, Obstetric, Pediatric, and Intensive Care

A) Criterion 1110.530 (d)(1) - Deteriorated Facilities or Equipment

The applicants must document that:

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall consist of, but is not limited to: historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

The applicant proposes to modernize a portion of its 349 Medical/Surgical (med/surg) bed complement by removing 114 med/surg beds from semi-private rooms, and relocating them to newly-constructed private rooms. These additional rooms make up three new floors being added on top of the E-building, an existing two-story med/surg bed tower on the hospital campus. Once completed, the entire 349 med/surg bed complement at Memorial Medical Center will be made up of all-private rooms. The applicant plans to modernize its remaining 235 med/surg beds as part of its long-range modernization plan. The applicant notes the rooms containing the 114 beds being relocated are in buildings ranging from 21 to 69 years of age, and these rooms/nursing units are becoming functionally obsolescent, requiring modernization and removal of the second bed. The presence of two beds in these 114 rooms subjugates modern patient privacy and infection controls standards currently followed in the health care industry. The applicant has provided sufficient justification to satisfy the needs of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE MEDICAL/SURGICAL, OBSTETRIC, PEDIATRIC, AND INTENSIVE CARE REVIEW CRITERION (77 IAC 1110.530).

X. 1110.3030 – Clinical Service Areas Other Than Categories of Service

A) Criterion 1110.3030 (c)(1) - Deteriorated Facilities or Equipment

The applicants must document that:

The proposed project will result in the replacement of equipment or facilities that have deteriorated and need replacement. Documentation shall consist of, but is not limited to: historical utilization data, downtime or time spent out of service due to operational failures, upkeep and annual maintenance costs, and licensure or fire code deficiency citations involving the proposed project.

The applicant proposes to modernize and expand the following clinical service areas that currently exist on the Memorial Medical Center campus:

- **Surgical Suite (Main Surgery)**

- **Post Anesthesia Care Unit (PACU)**
- **Stage II Recovery Unit (Also used for Pre-Surgery Testing and Surgical Prep)**

The proposed modernization/expansion will occur in the lower level E-building, where surgery is located, and will involve the construction of a two story addition adjacent to the proposed patient tower. The modernized Main Surgery will comprise the lower level, and the two-story addition will accommodate 4 new operating rooms, a 23-bay PACU connected to Main Surgery, and a 30-station Stage II recovery unit adjacent to the main entrance/lobby for outpatient surgery. The applicant notes the proposed modernization/expansion is necessary, due to the age and size of the current surgical/recovery areas. The applicant notes the current Main Surgery Suite is undersized and unable to accommodate laparoscopic booms, robotic surgery systems, and other contemporary surgical equipment. These facilities are also unable to accommodate the additional medical personnel present as part of the many medical educational/training programs underway at Memorial Medical Center.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE/DETERIORATED FACILITIES REVIEW CRITERION (77 IAC 1110.3030 (c)(1)).

B) Criterion 1110.3030 (c)(2) – Necessary Expansion

The applicants must document that:

The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training or other support services to meet the requirements of patient service demand. Documentation shall consist of, but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project.

The applicant proposes to modernize and expand the following clinical service areas that currently exist on the Memorial Medical Center campus:

- **Surgical Suite (Main Surgery)**
- **Post Anesthesia Care Unit (PACU)**
- **Stage II Recovery Unit (Also used for Pre-Surgery Testing and Surgical Prep)**

The proposed modernization/expansion will occur in the lower level E-building, where surgery is currently housed, and will involve the construction of a two story addition adjacent to the proposed patient tower. The modernized Main Surgery will comprise the lower level, and the two-story

addition will accommodate 4 new operating rooms, a 23-bay PACU connected to Main Surgery, and a 30-station Stage II recovery unit adjacent to the main entrance/lobby for outpatient surgery patients. The applicant notes the proposed modernization/expansion is necessary, due to an increased projected utilization of 8.86% annually, through CY 2018, the second full year after project completion. The applicant supplied utilization data that supports the need to expand its surgery/surgical support services (See Table 5), and notes the additional surgical/surgical support space will streamline operations within the department, allowing doctors more flexibility in surgical scheduling, and enhancing the overall patient experience. Based on projected operational need, it appears the applicant has met the requirements of this criterion, and a positive finding can be made.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE/NECESSARY EXPANSION REVIEW CRITERION (77 IAC 1110.3030 (c)(2)).

XI. 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicant is funding this project with cash and securities totaling \$12,357,501, and bond issues totaling \$110,000,000. The applicants provided proof of an A1 Bond Rating from Moody's Investor Service (application, p. 135), and proof of an A+/Stable Bond Rating from Standard & Poor's (application, p. 136). It is evident that sufficient cash is available to fund this project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

XII. 1120.130 - Financial Viability

a) Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:

- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or**

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

The applicant is funding this project with cash and securities totaling \$12,357,501, and bond issues totaling \$110,000,000. The applicants provided proof of an A1 Bond Rating from Moody's Investor Service (application, p. 135), and proof of an A+/Stable Bond Rating from Standard & Poor's (application, p. 136). Based on these findings, this criterion is inapplicable.

THE STATE BOARD STAFF FINDS THE FINANCIAL VIABILITY CRITERION IS INAPPLICABLE TO THIS PROJECT (77 IAC 1120.130).

XIII. 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or**
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:**
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or**
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.**

The applicant is funding this project with cash and securities totaling \$12,357,501, and bond issues totaling \$110,000,000. The applicants provided proof of an A1 Bond Rating from Moody's Investor Service (application, p. 135), and proof of an A+/Stable Bond Rating from Standard & Poor's (application, p. 136). It is evident that sufficient cash is available to fund this project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (a)).

B) Criterion 1120.140 (b) - Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;**
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;**
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.**

The applicant is funding this project with cash and securities totaling \$12,357,501, and bond issues totaling \$110,000,000. The applicants provided proof of an A1 Bond Rating from Moody's Investor Service (application, p. 135), and proof of an A+/Stable Bond Rating from Standard & Poor's (application, p. 136). It is evident that sufficient cash is available to fund this project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPREARS TO BE IN CONFORMANCE WITH THE TERMS OF DEBT FINANCING CRITERION (77 IAC 1120.140 (b)).

C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:

- 1) Preplanning costs shall not exceed the standards detailed in Appendix A of this Part.**
- 2) Total costs for site survey, soil investigation fees and site preparation shall not exceed the standards detailed in Appendix A unless the**

applicant documents site constraints or complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

- 3) Construction and modernization costs per square foot shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

HFSRB NOTE: Construction and modernization costs (i.e., all costs contained in construction and modernization contracts) plus contingencies shall be evaluated for conformance with the standards detailed in Appendix A.

- 4) Contingencies (stated as a percentage of construction costs for the project's stage of architectural development) shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

HFSRB NOTE: Contingencies shall be limited in use for construction or modernization (line item) costs only and shall be included in construction and modernization cost per square foot calculations and evaluated for conformance with the standards detailed in Appendix A. If, subsequent to permit issuance, contingencies are proposed to be used for other component (line item) costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by HFSRB prior to that use.

- 5) New construction or modernization fees and architectural/engineering fees shall not exceed the fee schedule standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.
- 6) The costs of all capitalized equipment not included in construction contracts shall not exceed the standards for equipment as detailed in Appendix A unless the applicant documents the need for additional or specialized equipment due to the scope or complexities of the services to be provided. As documentation, the applicant must provide evidence that the costs are similar to or consistent with other projects

of similar scope and complexity, and attest that the equipment will be acquired at the lowest net cost available, or that the choice of higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

- 7) **Building acquisition, net interest expense, and other estimated costs shall not exceed the standards detailed in Appendix A. If Appendix A does not specify a standard for the cost component, the applicant shall provide documentation that the costs are consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity.**
- 8) **Cost Complexity Index (to be applied to hospitals only)**
The mix of service areas for new construction and modernization will be adjusted by the table of cost complexity index detailed in Appendix A.

Preplanning – These costs total \$780,936 which is 1.2% of the modernization, construction, contingency, and equipment costs. This appears reasonable when compared to the State Board standard of 1.8%.

Site Preparation – These costs total \$389,093 and are less than 1% of construction, modernization, and contingency costs. This appears reasonable when compared to the State Board standard of 5%.

New Construction Costs and Proportionate Contingencies – This cost is \$43,815,866 or \$429.45 per GSF. This appears **high** when compared to the adjusted State Board standard of \$400.24 per GSF.

Modernization Costs and Proportionate Contingencies – This cost is \$4,310,210 or \$263.62 per GSF. This appears reasonable when compared to the adjusted State Board standard of \$280.16 per GSF.

Proportionate Contingencies-New Construction – This cost is \$3,981,340 or 9.9% of new construction costs. This appears reasonable when compared to the State Board standards of 10% for new construction.

Proportionate Contingencies-Modernization – This cost is \$393,758 or 10% of modernization costs. This appears reasonable when compared to the State Board standards of 10%-15% for modernization.

Architectural and Engineering Fees–New Construction - These costs total \$2,833,522 or 7.1%. This appears reasonable when compare to the State Board standard of 5.12% – 7.68%.

Architectural and Engineering Fees–Modernization - These costs total \$280,239 or 7.1%. This appears reasonable when compare to the State Board standard of 9.65% – 14.49%.

Consulting and Other Fees – These costs total \$1,800,247. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$13,152,765. The State Board does not have an applicable standard for this criterion in relation to hospitals.

Bond Issuance Expense – These costs total \$3,172,000. The State Board does not have a standard for this cost.

Net Interest Expense During Construction – These costs total \$2,828,000. The State Board does not have an applicable standard for this criterion in relation to hospitals.

Other Costs to be Capitalized – These costs total \$369,600. The State Board does not have a standard for this cost.

Board Staff identified New Construction and Proportionate Contingency costs in excess of the State standard, and the applicant attributes this to the vertical expansion above the 2-story Med/surg unit that comprises the E building. The applicant also cites excessive costs associated with connecting the new Main Surgery/PACU to the existing lower-level Surgery and Main Lobby space, which will be completed in phases. The New Construction cost per GSF appears high when compared to the State Standard; however, they are necessary and reasonable for the completion of the proposed project. The applicants have not met the requirements of this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT DOES NOT APPEAR TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1120.140 (c)).

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full

fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate the projected operating costs per adjusted patient day to be \$1,691. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).

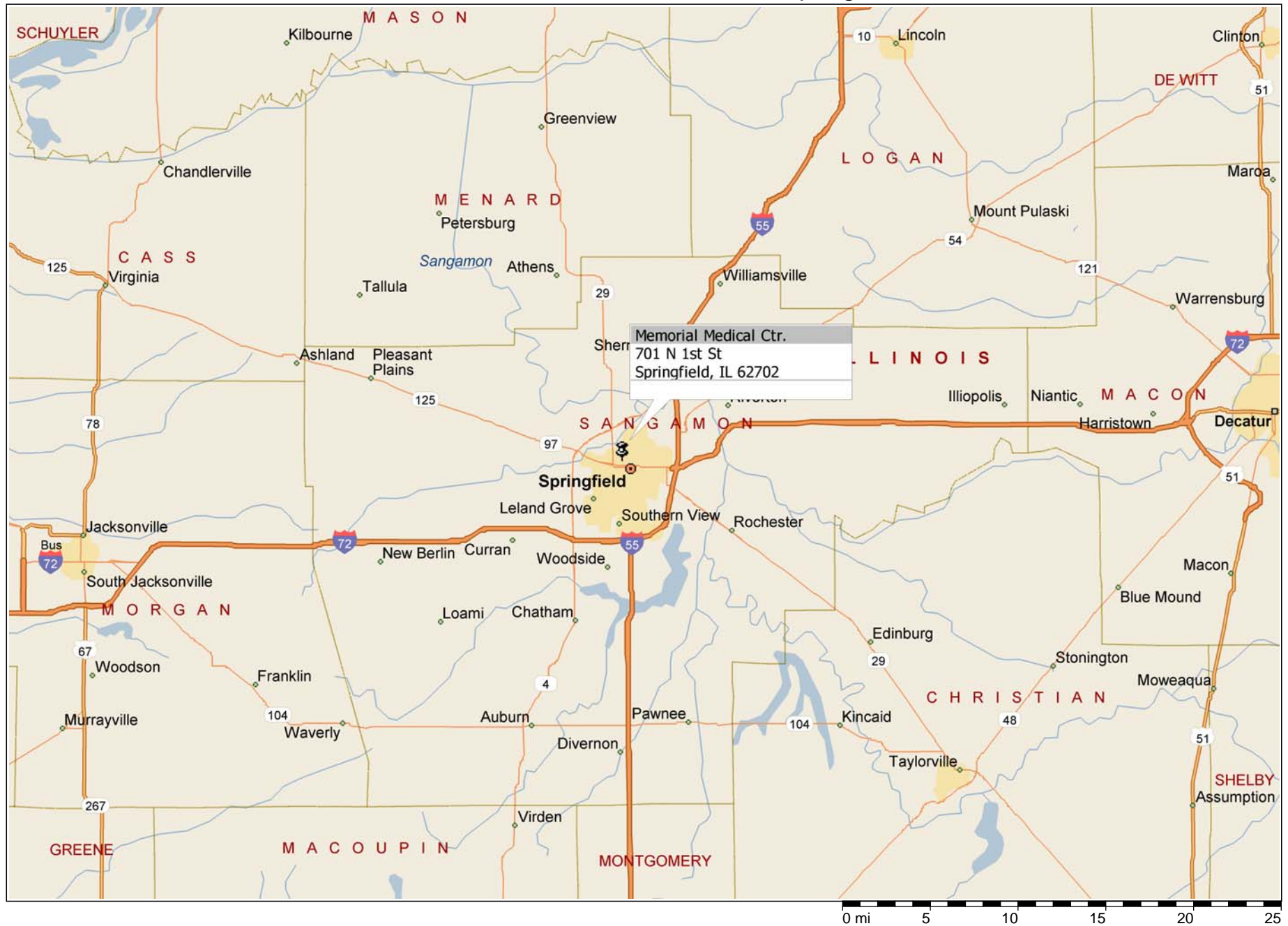
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The applicants anticipate the total effect of the Project on Capital Costs per adjusted patient days to be \$98.00. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).

12-080 Memorial Medical Center - Springfield



Ownership, Management and General Information

ADMINISTRATOR NAME: Edgar J. Curtis
ADMINSTRATOR PHONE: 217-788-3340
OWNERSHIP: Memorial Medical Center
OPERATOR: Memorial Medical Center
MANAGEMENT: Not for Profit Corporation (Not Church-R
CERTIFICATION:
FACILITY DESIGNATION: General Hospital
ADDRESS 701 North First Street

CITY: Springfield**COUNTY:** Sangamonm County**Patients by Race**

White	90.9%	Hispanic or Latino:	0.4%
Black	7.2%	Not Hispanic or Latino:	98.6%
American Indian	0.0%	Unknown:	1.0%
Asian	0.4%	IDPH Number:	1487
Hawaiian/ Pacific	0.1%	HPA	E-01
Unknown:	1.4%	HSA	3

Patients by Ethnicity**Facility Utilization Data by Category of Service**

<u>Clinical Service</u>	Authorized CON Beds 12/31/2011	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy 12/31/2011	Staff Bed Occupancy Rate %
Medical/Surgical	349	328	293	19,458	86,446	2,211	4.6	242.9	69.6	74.1
0-14 Years				8	9					
15-44 Years				2,704	9,658					
45-64 Years				6,873	28,502					
65-74 Years				4,096	18,747					
75 Years +				5,777	29,530					
Pediatric	7	7	7	286	694	127	2.9	2.2	32.1	32.1
Intensive Care	49	48	48	2,713	13,292	22	4.9	36.5	74.4	76.0
Direct Admission				1,914	9,105					
Transfers				799	4,187					
Obstetric/Gynecology	21	21	21	1,782	3,935	42	2.2	10.9	51.9	51.9
Maternity				1,782	3,935					
Clean Gynecology				0	0					
Neonatal	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds				0	0		0.0	0.0		
Acute Mental Illness	44	37	37	1,116	10,572	0	9.5	29.0	65.8	78.3
Rehabilitation	30	30	18	433	5,111	0	11.8	14.0	46.7	46.7
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	500			24,989	120,050	2,402	4.9	335.5	67.097	

(Includes ICU Direct Admissions Only)

Inpatients and Outpatients Served by Payor Source

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	52.0%	11.6%	0.3%	30.5%	0.3%	5.4%	
	12982	2887	73	7611	86	1350	24,989
Outpatients	26.9%	13.5%	0.1%	34.3%	23.2%	2.1%	
	129652	65373	455	165517	111888	9964	482,849

Financial Year Reported: 10/1/2010 to 9/30/2011**Inpatient and Outpatient Net Revenue by Payor Source**

	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense	Total Charity Care Expense
Inpatient Revenue (\$)	50.4%	9.3%	0.4%	39.8%	0.1%	100.0%		15,618,086
	151,962,257	28,182,099	1,205,504	119,926,196	221,145	301,497,201	8,938,390	
Outpatient Revenue (\$)	19.4%	3.0%	0.3%	75.1%	2.1%	100.0%		Total Charity Care as % of Net Revenue
	40,159,702	6,243,761	632,385	155,206,570	4,388,248	206,630,666	6,679,696	3.1%

Birthing Data

Number of Total Births: 1,788
 Number of Live Births: 1,782
 Birthing Rooms: 0
 Labor Rooms: 2
 Delivery Rooms: 0
 Labor-Delivery-Recovery Rooms: 0
 Labor-Delivery-Recovery-Postpartum Rooms: 19
 C-Section Rooms: 2
 CSections Performed: 467

Newborn Nursery Utilization

Level 1 Patient Days: 3,318
 Level 2 Patient Days: 526
 Level 2+ Patient Days: 0
 Total Nursery Patientdays: **3,844**

Laboratory Studies

Inpatient Studies: 991,981
 Outpatient Studies: 1,013,916
 Studies Performed Under Contract: 54,010

Organ Transplantation

Kidney: 36
 Heart: 0
 Lung: 0
 Heart/Lung: 0
 Pancreas: 5
 Liver: 0
Total: 41

Drop in outpatient surgeries due to renovation of 6 outpatient OR suites in Baylis Medical Building. 2 OR suites were closed at a time while renovations occurred. Performed 31 kidney and 5 kidney/pancreas (combined procedure) transplants.

Surgery and Operating Room Utilization

<u>Surgical Specialty</u>	<u>Operating Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	2	2	586	356	1673	612	2285	2.9	1.7
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	5	5	1735	1934	4708	2761	7469	2.7	1.4
Gastroenterology	0	0	0	0	121	31	128	31	159	1.1	1.0
Neurology	0	0	1	1	501	295	1677	600	2277	3.3	2.0
OB/Gynecology	0	1	2	3	549	1353	1707	1855	3562	3.1	1.4
Oral/Maxillofacial	0	0	0	0	16	182	55	336	391	3.4	1.8
Ophthalmology	0	0	0	0	0	424	0	320	320	0.0	0.8
Orthopedic	0	2	6	8	2842	1861	6901	3093	9994	2.4	1.7
Otolaryngology	0	1	0	1	261	1166	873	1843	2716	3.3	1.6
Plastic Surgery	0	2	1	3	408	1340	1074	2053	3127	2.6	1.5
Podiatry	0	0	0	0	50	404	65	610	675	1.3	1.5
Thoracic	0	0	2	2	739	78	3143	113	3256	4.3	1.4
Urology	0	0	1	1	286	413	987	520	1507	3.5	1.3
Totals	0	6	20	26	8094	9837	22991	14747	37738	2.8	1.5

SURGICAL RECOVERY STATIONS

Stage 1 Recovery Stations

27

Stage 2 Recovery Stations

6

Dedicated and Non-Dedicated Procedure Room Utilization

<u>Procedure Type</u>	<u>Procedure Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	0	0	5	5	1274	4426	1549	5433	6982	1.2	1.2
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	0	0	0	20	531	18	389	407	0.9	0.7
Cystoscopy	0	0	2	2	385	1351	573	1838	2411	1.5	1.4

Multipurpose Non-Dedicated Rooms

Gift of Hope Organ H	0	0	0	0	0	36	0	165	165	0.0	4.6
Transplants	0	0	0	0	91	125	430	340	770	4.7	2.7
	0	0	0	0	0	0	0	0	0	0.0	0.0

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	5
Cath Labs used for Angiography procedures	0
Dedicated Diagnostic Catheterization Labs	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	1

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	1
Number of Trauma Visits:	37
Patients Admitted from Trauma	23
Emergency Service Type:	Comprehensive
Number of Emergency Room Stations	52
Persons Treated by Emergency Services:	67,370
Patients Admitted from Emergency:	12,719
Total ED Visits (Emergency+Trauma):	67,407

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	7,102
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	3,335
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	1,719
EP Catheterizations (15+)	2,048

Cardiac Surgery Data

Total Cardiac Surgery Cases:	324
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	324
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	196

Outpatient Service Data

Total Outpatient Visits	482,849
Outpatient Visits at the Hospital/ Campus:	282,041
Outpatient Visits Offsite/off campus	200,808

<u>Diagnostic/Interventional</u>	<u>Equipment</u>		<u>Examinations</u>			<u>Treatment Equipment</u>	<u>Owned Contract</u>		<u>Therapies/ Treatments</u>
	<u>Owned</u>	<u>Contract</u>	<u>Inpatient</u>	<u>Outpt</u>	<u>Contract</u>		<u>Owned</u>	<u>Contract</u>	
General Radiography/Fluoroscopy	17	0	44,814	58,789	0	Lithotripsy	0	1	223
Nuclear Medicine	5	0	1,640	1,797	0	Linear Accelerator	2	0	14,724
Mammography	5	0	27	18,026	0	Image Guided Rad Therapy	0	0	4537
Ultrasound	6	0	3,901	11,230	0	Intensity Modulated Rad Thrpy	0	0	1872
Angiography	3	0				High Dose Brachytherapy	1	0	159
Diagnostic Angiography			0	0	0	Proton Beam Therapy	0	0	0
Interventional Angiography			1923	2693	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	1	0	59	1,674	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	5	0	12,640	23,305	0				
Magnetic Resonance Imaging	3	0	3,659	8,341	0				